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**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re: USA COMMERCIAL MORTGAGE COMPANY, Debtor.	Case No. BK-S-06-10725 LBR Case No. BK-S-06-10726 LBR Case No. BK-S-06-10727 LBR Case No. BK-S-06-10728 LBR Case No. BK-S-06-10729 LBR
In re: USA CAPITAL REALTY ADVISORS, LLC, Debtor.	Chapter 11
In re: USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC, Debtor.	Jointly Administered Under Case No. BK-S-06-10725 LBR
In re: USA CAPITAL FIRST TRUST DEED FUND, LLC, Debtor.	Date: October 30, 2006 Time: 9:30 a.m.
In re: USA SECURITIES, LLC, Debtor.	REPLY MEMORANDUM IN SUPPORT OF MOTION TO EXCLUDE DEBTORS FROM HAVING TO FILE INTER- COMPANY CLAIMS AGAINST EACH OTHER BY THE BAR DATE, OR ALTERNATIVELY FOR THE APPROVAL OF THE IMMEDIATE APPOINTMENT OF SPECIAL COUNSEL TO FILE AND PURSUE THE INTER- COMPANY DEBTOR CLAIMS
Affects: <input checked="" type="checkbox"/> All Debtors <input type="checkbox"/> USA Commercial Mortgage Company <input type="checkbox"/> USA Securities, LLC <input type="checkbox"/> USA Capital Realty Advisors, LLC <input type="checkbox"/> USA Capital Diversified Trust Deed Fund, LLC <input type="checkbox"/> USA First Trust Deed Fund, LLC	

USA Commercial Mortgage Company (“USACM”), USA Capital Diversified Trust Deed Fund, LLC (“Diversified Fund”), USA Capital First Trust Deed Fund, LLC (“FTDF”), USA Capital Realty Advisors, LLC, and USA Securities, LLC, (collectively, the “Debtors”) hereby submit this reply memorandum in support of the Debtors’ Motion to Exclude Debtors From Having to File Inter-Company Claims Against Each Other by the Bar Date, or Alternatively for the Approval of the Immediate Appointment of Special Counsel for Diversified Fund and FTD Fund to File and Pursue the Inter-Company Debtor Claims (the “Motion”) (Dkt. #1454/1469).

The Debtors’ Motion seeks an order from the Court that the Debtors be excluded from filing inter-company claims against each other by the Bar Date¹ (or that the Bar Date be extended without date for the filing of these claims), or alternatively, if all inter-company claims were not resolved by October 19, 2006, with the full agreement of the official committees, that the Court approve the appointment of special counsel for USACM, FTDF and DTDF to file those inter-company claims.

On October 20, 2006, the UCC, Diversified Committee and FTDF Committee (collectively, the “Committees”) filed a joint response to the Motion (the “Joint Response”) (Dkt. #1622) wherein the Committees concur that the Debtors’ professionals should not have to file inter-company claims by the Bar Date and “support the Debtors’ professionals’ proposed solution of extending the bar date for filing inter-company claims....” Joint Response, p. 2. The Committees disagreed with the Debtors’ request for the appointment of special counsel to file those claims due to the increased costs associated therewith.

The Debtors believe that excusing the Debtors from filing inter-company claims by the Bar Date or extending the Bar Date indefinitely for the filing on inter-company claims provides the best solution for these estates and the other interested parties. As the Committee’s acknowledge, there is currently being “negotiate[ed] a joint plan term sheet that would resolve and fix the allowed amount of such inter-company claims ... [which] likely ... will form the basis for a further modified plan of reorganization....” Id. Excusing the Debtors from filing inter-company

¹ Unless otherwise defined herein, all capitalized terms have the same meaning as defined in the Motion.

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claims or indefinitely extending the Bar Date for filing such claims is warranted because it is not necessary to file those claims if they are going to be resolved in a consensual Plan and described in the Disclosure Statement. Requiring such claims to be filed at this time would cause unnecessary additional expenses to be incurred by the Debtors' estates. If the Court finds it advisable to extend the Bar Date for filing inter-company claims by a date certain, the Committee's have suggested, and the Debtors' do not oppose, a December 1, 2006 bar date, on which date the Committee's may be authorized to file claims in an indeterminate amount on behalf of the respective debtor's estate in which they were appointed.

After further discussions with the Committees, Debtors now agree that if a fully supported resolution of the inter-company claims becomes unfeasible at some future point, it may be appropriate for the UCC, Diversified Committee and FTDF Committee to file claims on behalf of the respective estate in which they were appointed. However, the better course of action at this juncture, where the resolution of these claims is currently being negotiated as a part of a plan of reorganization and appears likely to be reached by the Debtors and Committees, is to excuse the Debtors from filing inter-company claims or extend the Bar Date indefinitely for the filing of such claims. Furthermore, while the Debtors are not necessarily adverse to the Committees being authorized to file on behalf of the respective debtor's estate indeterminate inter-company claims, which would later need to be amended, the Debtors believe the better approach is to simply excuse the Debtors from filing inter-company claims by the existing Bar Date and allow those claims to be resolved through the plan negotiation process.

The Court has discretion to exclude the Debtors from filing inter-company claims by the Bar Date (or, alternatively, to extend the Bar Date without date for the filing of such claims). See In re Eagle-Picher Industries, Inc., 137 B.R. 679, 681 (S.D. Ohio 1992); Fed. R. Bank. P.

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1 9006(b)(1) (“[T]he court for cause shown may at any time in **its discretion** ... order the period
2 enlarged....”) (emphasis added). As set forth above, sufficient cause exists under Fed. R. Bankr.
3 P. 3003(c)(3) for the Court to order that the Debtors not be required to file inter-company claims
4 against one another by the Bar Date or extend the Bar Date for filing inter-company claims
5 indefinitely (or if the Court desires for a determinable period of time).

6 Dated this _____ day of October, 2006.

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14 and

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